



Annual Report 1972

The Cover

Community programming is an important function of individual community cable TV systems. The cover shows a typical community program in production -- students of Willow Road Public School, Guelph, Ontario, producing and performing in their own quiz and news show. Kamil Trochta (crouching near the camera), community programming director of Maclean-Hunter Cable TV Limited's Guelph system, offers expert advice and assistance.

Officers and Directors

*Donald G. Campbell

Chairman of the Board

*Frederick T. Metcalf

President

J. Barry Gage

Secretary - Treasurer

*Gilbert A. Allard

*Director

*Colin M. Brown

*Lorne R. Clark

*Donald F. Hunter

*Robert J. Prettie

Highlights of 1972

	1972	1971	Percentage Increase (Decrease)
Revenue	\$ 9,833,000	\$ 7,732,000	27
Net income for common shareholders			
- total	\$ 1,109,000	\$ 588,000	88
- per share	60¢	32¢	88
Cash Flow			
- total	\$3,845,000	\$ 3,101,000	24
- per share	\$ 2.09	\$1.68	24
Total assets	\$25,159,000	\$21,402,000	18
Long-term debt	9,847,000	8,820,000	12
Shareholders' equity	9,477,000	8,823,000	7
Households in licensed area	304,000	275,000	11
Households on service	173,000	151,000	15



MANAGEMENT COMMITTEE: The five men who run the day-to-day operations of Maclean-Hunter Cable TV Limited are (from left to right) D.H. Hinds, Toronto Area Manager; J. P. Herbert, Southern Ontario Regional Manager; Frederick T. Metcalf, President; A. G. Lamb, Northern Ontario Regional Manager; J. B. Gage, Secretary-Treasurer.

Report to the Shareholders

Your company experienced a record year in 1972 with substantial increases in revenue and net profit. Although the major growth for the year was generated by subscribers' sales within our present systems, most notably St. Catharines and Toronto, we were pleased to receive a license to operate a cable system in Mississauga which is contributing to growth in 1973.

Revenue in 1972 increased by 27%, while net income per common share after providing for preferred dividends increased by 88% from 32 cents per share in 1971 to 60 cents per share in 1972.

The number of households connected increased approximately 15% from 151,000 last year to 173,000 at year end.

In reporting on this year, we would like to thank all the employees who have worked so hard to achieve these gratifying results. To solve the problems of the integration of new businesses, those of technical changes, maximization of sales and minimization of costs has called for a high degree of co-operation and hard work. On the company's behalf we offer to all staff our sincere appreciation for their outstanding performance in 1972.

AUGMENTED CHANNEL CAPACITY

The opening in Toronto of a new UHF television station, CITY-TV, and the shift of CBLT from channel 6 to channel 5 created a very strong demand for cable service in the Toronto area. Our Toronto area cable systems benefited considerably and ended the year well ahead of sales and profit budgets.

Some problems were, however, created due to the subscriber confusion over the necessary channel changes and the problem of accommodating the increasing number of available television stations with the limited channel capacity of our present systems. As mentioned last year, expanded channel capacity has occupied the major thrust of our research and development efforts to date and continues to do so. We are not convinced, however, that the final solutions are available yet and management

continues to adopt a cautious approach to the use of the set-top converters which are currently available. As soon as industry technical standards are set it is our intention to move quickly to expand our channel capacity. However, until that time we believe it is in the interest of our customers and our shareholders to maintain our present service as long as possible.

BROADBAND COMMUNICATIONS NETWORKS LIMITED

In August your company joined several other major Canadian cable television operators in the formation of BROADBAND COMMUNICATIONS NETWORKS LIMITED. This is a joint venture to investigate and explore expanded utilization of cable television systems. BCN Limited has investigated the economics of multi-channel converters and is presently designing suitable pilot projects using member cable television facilities. The joint venture also made available detailed studies along similar lines undertaken by the Arthur D. Little Company in the United States.

PAY TELEVISION

During the past year a great deal of publicity has appeared in the press regarding the advent of pay television. Your company, both through Broadband Communications Networks Limited and on its own, has examined the various technologies being developed here and in the United States. We are firmly of the opinion that the Canadian cable industry is capable of matching, or surpassing, any of the systems now developed and we see little or no advantage in entering into any equity arrangement with foreign companies, although these have been offered to us.

Late in 1972 the CRTC issued a statement on pay television, assuring both broadcasters and cable television operators that the CRTC intended them to participate in its extension in Canada, and inviting proposals. We are actively working towards an all Canadian pay television system and we hope a test will be authorized in 1973.

COMMUNITY PROGRAMMING

Your company continues to follow a policy of "public access" in community programming with emphasis on the participation of as large as possible a cross section of the public. There is a growing awareness within some of the communities of the very different and vital role which our service can play, resulting in an increasing interest in participating. This is particularly true in the small and medium sized communities where one cable system serves the entire town or city.

Because the emphasis is on participation and the greatest possible diversity of subjects, individuals, groups and communities of interest, these programmes tend generally to be something less than professional in quality, however, the importance of the opportunity to get their message across to the rest of the community seems to far outweigh considerations of quality and performance. The opportunity for everyone to receive instruction and direction in the use of the equipment and facilities is gradually enlarging the scope of this new communications medium as more and more groups come forward.

During 1972 on all of our systems, some 7,380 local programmes were originated for a total of almost 4,800 hours. By joining these local originations with programmes from other sources, such as the National Film Board and exchanges with other systems, etc., the first run programmes for the year numbered 11,800 with a total running time of almost 8,000 hours. One of the most useful capabilities of cable broadcasting is its ability to repeat interesting programmes at different times and on different days, thus allowing people to choose the time most suitable to them. When the 9,000 repeat programmes are included with the first run above, then viewing time for the year reached a grand total of some 14,000 hours.

NORTHERN ONTARIO

Our cable system at North Bay continued to lose subscribers due to the advent of CTV broadcast service in the area. The company has

applied to improve the competitive position of the cable system by improving reception through the use of microwave links to Southern Ontario.

The company is also participating in an application to provide cable service to Sudbury and Timmins. It is expected that the application for improvement of service at North Bay will probably be heard at the same time as the new applications for Sudbury and Timmins, hopefully by the end of 1973.

PHASECOM CORPORATION

Phasecom Corporation, a Los Angeles development and manufacturing company, in which the company's subsidiary Peterborough Cable TV Limited holds a 50% interest, continues to make satisfactory progress. In November Phasecom began delivery of its new HRC (Harmonically Related Carrier) head end systems to cable television systems in Pennsylvania and New York state. Delivery of similar systems to a number of customers are continuing in 1973 and require a significant expansion of Phasecom production capability. The company's concepts for cable television system technology based on "coherent carriers" have been widely accepted and we expect other equipment manufacturers to start making head end equipment based on these concepts. Competition from other manufacturers in 1973 will add credibility to the Phasecom products and we confidently expect that Phasecom's experience and leadership in this field will maintain a very satisfactory level of sales and profit.

MACLEAN-HUNTER COMMUNICATIONS LTD.

In early 1972, your company purchased AirTel Limited, operating in the field of personal radio paging, mobile two-way radios and telephone answering service. The company operates in the "Golden Horseshoe" area of Southern Ontario and in London. We assumed active management of this company in mid-February of 1972 and subsequently changed its name to Maclean-Hunter Communications Ltd.

In May, 1972, we acquired Inter-County Communications Limited providing two-way radio service in Hamilton, Brantford, Woodstock and Guelph. To complement these purchases, we later acquired answering services located in London, Woodstock and Guelph. The communications functions in London were then consolidated into a single office.

In August we purchased 100% of Quest Communications Limited. This company provides answering services, mobile radio and personal radio paging in Niagara Falls, St. Catharines and Welland. In addition, they provide personal paging services in the U.S. to the areas of Metropolitan Buffalo, North Tonawanda, Niagara Falls (N.Y.) and Lewiston. Also in August we purchased the answering service located in Hamilton known as Hamilton Office Service Limited. Since that time, we have moved this service to a new location and have expanded its operation to include alarm monitoring and radio dispatching on radio frequencies which we had previously acquired.

In September we purchased two companies located in Kingston, namely, Telephone Answering Service (Kingston) Limited and Kingston Secretary Service Limited. Both companies are engaged in telephone answering, two-way radio and personal paging services. Since that time, we have combined the two operations into one.

As we look to the future of our mobile society, the need for personal wireless communications will dramatically increase. We expect Maclean-Hunter Communications Ltd. to continue expanding and providing service over an even wider geographical area. Types of service will also expand, since we anticipate that our services will eventually be inter-connected directly with the telephone switched network.

FEDERAL COMMUNICATIONS POLICIES

Your company is encouraged by the green paper on a communications policy for Canada recently issued by the federal Department of Communications. Although the paper contains a

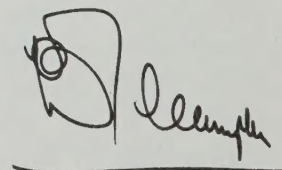
number of possible avenues for exploration with regard to the provincial and federal jurisdiction, the conclusions under Section 8 generally indicate that the federal government desires a high level of collaboration and consultation, but not a two-tier set of regulations.

There is a clear indication that the government intends to create a single federal agency to regulate both broadcasting and the operations of the common carriers subject to federal authority. The practical effect of this will be a much more equitable arrangement for broadcasting and cable television in dealing with these suppliers of services and facilities.

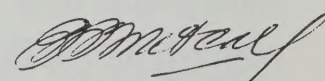
The paper deals at some length with the necessity of Canadian ownership and control in the whole field of communications, and this again will be much more equitable since cable television companies now operate under government regulations as to Canadian ownership, while many businesses in other areas of communications do not. We feel that such a move by the government will have a positive affect on our operations.

Your company will participate in the discussions this green paper invites and we look forward to the implementation of new policies as a constructive step to greater stability in both the cable television and communications areas of our business.

On behalf of the board:



Chairman.



President.

Areas served by Maclean-Hunter Cable TV Limited

As at December 31, 1972, the company was licensed to operate in 17 communities containing a total of approximately 304,500 households. This includes approximately 12,000 homes in

newly licensed areas of Mississauga, where plant construction is expected to complete by September, 1973.

SYSTEM	HOUSEHOLDS IN LICENSED AREA AT Dec. 31/72	HOUSEHOLDS CONNECTED At Dec. 31/72	PENETRATION	HOUSEHOLDS CONNECTED At Dec. 31/71
Toronto (Combined areas)	112,000	44,600	39.8 %	34,700
Thunder Bay	28,000	22,500	80.3	21,900
St. Catharines	29,000	10,900	37.6	7,800
London	27,000	21,700	80.3	19,300
Guelph	20,000	16,700	83.5	14,800
Peterborough	18,000	15,900	88.3	14,700
Sarnia	19,000	12,600	66.3	10,600
Hamilton	13,000	9,900	76.2	8,900
North Bay	17,000	3,500	20.5	4,400
Owen Sound	8,000	5,400	67.5	5,100
Midland	5,000	4,900	98.0	4,500
Wallaceburg	4,000	700	17.5	600
Collingwood	3,000	2,400	80.0	2,300
Huntsville	1,500	1,400	93.3	1,300
	<u>304,500</u>	<u>173,100</u>	<u>56.8 %</u>	<u>150,900</u>



COMMUNITY SERVICE; CABLE TV:
A six-hour Telethon, produced in our Peterborough community programming studios, in co-operation with the Labour Council and the local TV, radio and newspapers, helped raise \$14,000 in aid of two families whose homes were destroyed in an explosion. Community programming co-ordinator Bill Spencely is at the camera as Mrs. Fay Martin checks total to date. Mrs. Marilyn King takes a pledge as radio personality Del Crary keeps the action going.

Maclean-Hunter Communications Ltd.

Types of Service

AREAS OF SERVICE	TELEPHONE ANSWERING	MOBILE RADIO	PERSONAL PAGING
Brantford		*	
Fort Erie		*	*
Guelph	*	*	*
Hamilton	*	*	*
Kingston	*	*	*
Kitchener		*	*
London	*	*	*
Midland		*	*
Niagara Falls	*	*	*
Oshawa		*	*
Peterborough		*	
St. Catharines	*	*	*
St. Thomas		*	*
Sarnia		*	
Toronto	*	*	*
Welland		*	*
Woodstock	*	*	
New York State			
North Tonawanda)			
Metropolitan Buffalo)			*
Niagara Falls, New York)			



TELEPHONE ANSWERING; MACLEAN-HUNTER COMMUNICATIONS LTD.: Mrs. Dorothy Turner (far right), manager of London, Ontario, branch, checks with supervisor Lee Fitzgerald on the telephone answering operations. Telephone answering service is available for any period of time up to 24 hours a day. Operators pictured above are Pam Vary, Rita Mockler, Linda Rider, Joy Kunkel and Bernice Parks. Bernice Parks.

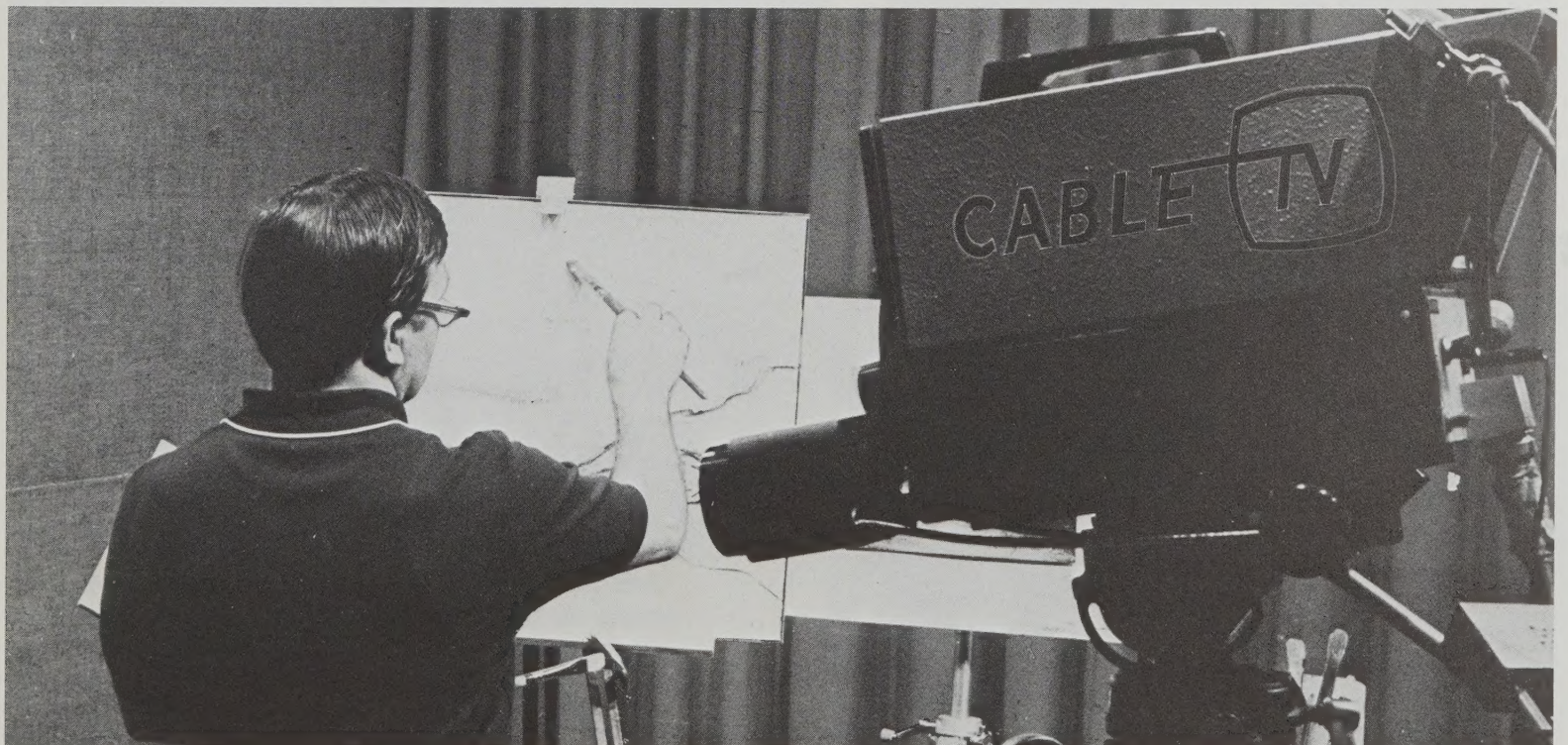


COMMUNITY SERVICE: Len Brown is shown operating the video switcher and associated equipment in the Thunder Bay community programming control room during the taping of a local production.

COMMUNITY SERVICE: A scene during the taping of a show on the Winter Fun Carnival in the Cable 12, North Bay Studio. Bob Aubie (right) is interviewing Ed Deibel, chairman of the Carnival, and Duke The Toque, carnival symbol. This is Ontario's largest winter carnival and an award winner.



COMMUNITY SERVICE: Dennis Maggs, well known locally for his program Come Paint With Me is shown in action in the Toronto studio of Maclean-Hunter Cable TV.



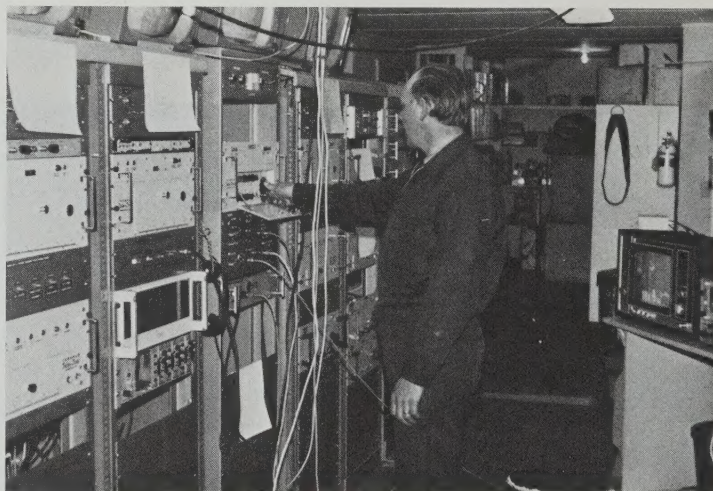
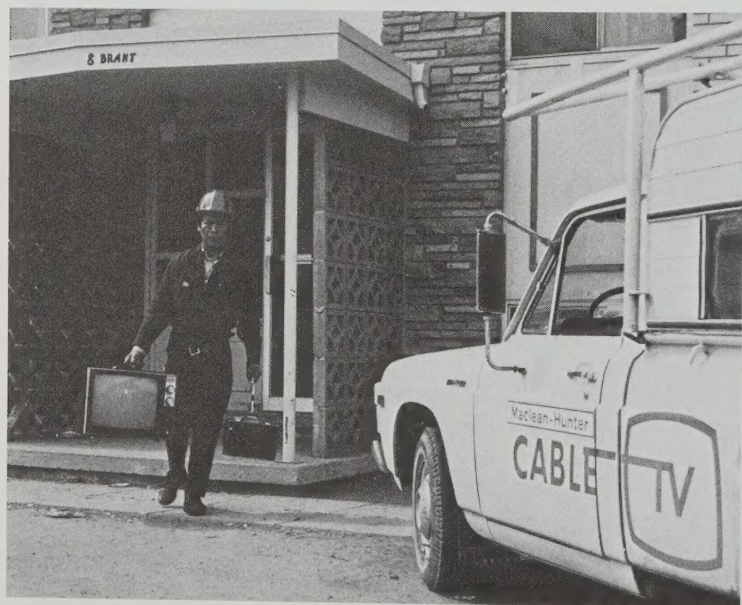


TECHNICAL SERVICE: Continual inspection by trained personnel is essential to maintain facilities in peak condition. Shown here inspecting an amplifier in the field is Toronto technician Aubrey Freemantle.



TECHNICAL SERVICE: A well-equipped Engineering Department provides all Maclean-Hunter Cable TV systems with technical assistance, equipment repair and evaluation. Pictured above are technician Joe Bromley (left) and Engineering Manager, Dave Emberson.

TECHNICAL SERVICE: Radio-despatched servicemen insure Maclean-Hunter of prompt and efficient cable repair service. J. Reyes of Guelph, pictured here, is equipped to handle any subscriber's cable service request.



TECHNICAL SERVICE: Bernard Gysen checks fine adjustments during routine maintenance of equipment at the Thunder Bay head end receiving station.



CUSTOMER SERVICE: North Bay Manager Al Clark and Chief Technician Jack Hill, planning a cable layout for a new townhouse in North Bay.

CUSTOMER SERVICE: Our Centralized Toronto Dispatch Department assures subscribers of an efficient installation and repair service. Shown are two of our attractive dispatchers, Mrs. Joyce McBurney and Mrs. Susan Tasca.



CUSTOMER SERVICE: Our fully automated accounts receivable system will assure this customer of a quick and accurate credit to his account. Pictured above is accounts receivable clerk Deborah Stucky receiving a payment from one of Thunder Bay's 22,000 subscribers.

MACLEAN-HUNTER COMMUNICATIONS LTD.: Dave Smith, Technical Manager, is checking a mobile radio with Toronto Service Manager, Ruppert Rodricks. Our fully equipped radio service centre is located at 11 Greensboro Drive, Rexdale, Ontario.



MACLEAN-HUNTER COMMUNICATIONS LTD.: Mrs. N. Johnson and Mrs. J. Cameron are operating the paging encoder in our Toronto office. From here we can page a customer located anywhere between Oshawa and the Niagara Region. The operations here, as in all of our communications centres, never close.



Consolidated Statement of Income

FOR THE YEAR ENDED DECEMBER 31, 1972

(with comparative figures for 1971)

MACLEAN-HUNTER CABLE TV LIMITED

	<u>1972</u>	<u>1971</u>
REVENUE (note 3)	\$9,833,000	\$7,732,000
Operating expenses, except depreciation	<u>4,392,000</u>	<u>3,601,000</u>
Income from operations before the following	<u>5,441,000</u>	<u>4,131,000</u>
Depreciation	1,884,000	1,455,000
Interest on long-term debt	863,000	817,000
Gain on redemption of debentures	<u>—</u>	<u>(1,000)</u>
	<u>2,747,000</u>	<u>2,271,000</u>
Income before income taxes, share of affiliated company loss and minority interest	2,694,000	1,860,000
Income taxes	<u>1,243,000</u>	<u>939,000</u>
	1,451,000	921,000
Deduct:		
Share of net loss of 50% owned affiliated company (note 4)	19,000	<u>—</u>
Minority interest	<u>90,000</u>	<u>75,000</u>
CONSOLIDATED NET INCOME FOR THE YEAR	<u>\$1,342,000</u>	<u>\$ 846,000</u>
Earnings per common share (after provision for preference share dividends)	<u>60¢</u>	<u>32¢</u>

(See accompanying notes)

Consolidated Statement of Source and Application of Funds

FOR THE YEAR ENDED DECEMBER 31, 1972
(with comparative figures for 1971)

MACLEAN-HUNTER CABLE TV LIMITED

SOURCE OF FUNDS:

Operations -

	<u>1972</u>	<u>1971</u>
Consolidated net income for the year	\$1,342,000	\$ 846,000
Add items included in arriving at net income that did not involve an outlay of funds:		
Depreciation	1,884,000	1,455,000
Deferred income taxes	606,000	732,000
Share of net loss of affiliated company (note 4)	19,000	
Minority interest	90,000	75,000
Gain on redemption of debentures		(1,000)
Total funds from operations (cash flow)	<u>3,941,000</u>	<u>3,107,000</u>
Bank loan (note 7)	1,550,000	
Mortgages (note 8)	202,000	
Decrease in working capital	<u>1,740,000</u>	<u>209,000</u>
	<u>\$7,433,000</u>	<u>\$3,316,000</u>

APPLICATION OF FUNDS:

Additions to properties, net	\$3,659,000	\$2,171,000
Additions to goodwill	2,178,000	
Redemption of debentures	725,000	519,000
Redemption of preference shares	457,000	200,000
Dividend declared on preference shares	231,000	257,000
Minority interest dividends and share redemptions	52,000	71,000
Purchase of investments (net)	<u>131,000</u>	<u>98,000</u>
	<u>\$7,433,000</u>	<u>\$3,316,000</u>

(See accompanying notes)

Consolidated Statement of Financial Position

DECEMBER 31, 1972

(with comparative figures at December 31, 1971)

MACLEAN-HUNTER CABLE TV LIMITED

(Incorporated under the laws of Ontario and its subsidiaries)

ASSETS

	<u>1972</u>	<u>1971</u>
Current:		
Cash	—	\$ 419,000
Marketable securities, at cost	—	26,000
Accounts receivable, pledged against bank loan	\$ 533,000	477,000
Inventories of repair parts, at lower of cost and replacement cost	44,000	19,000
Prepaid expenses	125,000	91,000
	<u>702,000</u>	<u>1,032,000</u>
Investments:		
50% owned affiliated company (note 4)	235,000	80,000
Other, at cost	10,000	53,000
	<u>245,000</u>	<u>133,000</u>
Properties (note 5):		
Buildings	476,000	144,000
Towers and transmission facilities	16,840,000	15,175,000
Equipment	3,217,000	981,000
Total, at cost	20,533,000	16,300,000
Less accumulated depreciation	6,464,000	3,978,000
	<u>14,069,000</u>	<u>12,322,000</u>
Land, at cost	96,000	68,000
	<u>14,165,000</u>	<u>12,390,000</u>
Goodwill (note 6)	10,047,000	7,847,000
	<u>\$25,159,000</u>	<u>\$21,402,000</u>

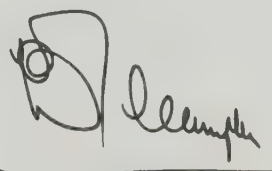
LIABILITIES

	<u>1972</u>	<u>1971</u>
Current:		
Bank indebtedness	\$ 337,000	\$ 250,000
Accounts payable and accrued charges	628,000	876,000
Current portion of sinking fund debentures	725,000	
Income and other taxes payable	514,000	54,000
Dividend payable on preference shares	56,000	64,000
Unearned subscriber revenue	<u>1,288,000</u>	<u>894,000</u>
	<u>3,548,000</u>	<u>2,138,000</u>
Long-term debt:		
Bank loan (note 7)	4,150,000	2,600,000
Mortgages payable (note 8)	202,000	
9% Sinking Fund Debentures series A due January 30, 1980 (note 9)	<u>5,495,000</u>	<u>6,220,000</u>
	<u>9,847,000</u>	<u>8,820,000</u>
Deferred income taxes	<u>1,940,000</u>	<u>1,334,000</u>
Minority interest in subsidiary companies (note 10)	<u>347,000</u>	<u>287,000</u>
Shareholders' equity:		
Capital stock (note 9, 11, and 13)	5,063,000	5,523,000
Contributed surplus	2,194,000	2,191,000
Retained earnings (note 12)	<u>2,220,000</u>	<u>1,109,000</u>
	<u>9,477,000</u>	<u>8,823,000</u>
	<u>\$25,159,000</u>	<u>\$21,402,000</u>

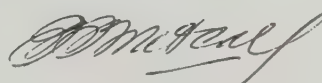
(See accompanying notes)

On behalf of the Board:

Director



Director



Consolidated Statements of Retained Earnings and Contributed Surplus

FOR THE YEAR ENDED DECEMBER 31, 1972
(with comparative figures for 1971)

MACLEAN-HUNTER CABLE TV LIMITED

RETAINED EARNINGS

	<u>1972</u>	<u>1971</u>
Balance, beginning of year	\$1,109,000	\$ 520,000
Add consolidated net income for the year	<u>1,342,000</u>	<u>846,000</u>
	2,451,000	1,366,000
Deduct dividends declared on preference shares	<u>231,000</u>	<u>257,000</u>
Balance, end of year	<u>\$2,220,000</u>	<u>\$1,109,000</u>

CONTRIBUTED SURPLUS

Balance, beginning of year	\$2,191,000	\$2,171,000
Add gain on redemption of preference shares	<u>3,000</u>	<u>20,000</u>
Balance, end of year	<u>\$2,194,000</u>	<u>\$2,191,000</u>

(See accompanying notes)

Auditors' Report

To the Shareholders of
Maclean-Hunter Cable TV Limited

We have examined the consolidated statement of financial position of Maclean-Hunter Cable TV Limited and its subsidiaries as at December 31, 1972, and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 16, 1973.

Clarkson, Gordon & Co.
Chartered Accountants

Notes to Consolidated Financial Statements

1. CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries; Peterborough Cable Television Limited (75% owned), Huron Cable TV Limited (66 2/3%) and Maclean-Hunter Communications Limited (100% owned).

2. ACQUISITIONS

On January 1, 1972, the Company acquired 100% of the issued shares of Maclean-Hunter Communications Limited (formerly AirTel Limited), a radio communications company. During the year it also acquired, through Maclean-Hunter Communications Limited, 100% of the issued shares of Quest Communications Limited (as of May 31, 1972) and a group of other small companies, all in the radio communications business. The acquisitions of these companies have been accounted for as purchases and the results of their operations since acquisition are included in these consolidated financial statements. Details of the acquisitions are as follows:

3. REVENUE

The 1972 revenue by class of business is as follows:

Cable TV	91%
Other	9%

4. Investment in 50% owned affiliated company.

This represents a 50% interest in Phasecom Corporation, an equipment manufacturing company, which is recorded at cost to date adjusted for the share of its net losses incurred since acquisition. Subsequent to the year-end, the balance of the purchase price has been negotiated to be \$521,500 of which \$288,034 is payable in 1973, \$116,733 in 1974 and \$116,733 in 1975.

5. PROPERTIES

- (a) Transmission facilities include \$4,896,000 of assets paid for by the Company but held under leases from public utility companies with original minimum terms of ten years.

	Maclean-Hunter Communications Limited	Quest Communications Limited	Other companies	Total
		(000's omitted)		
Book value of assets acquired (other than goodwill)	\$352	\$ 367	\$154	\$ 873
Liabilities assumed	<u>854</u>	<u>475</u>	<u>101</u>	<u>1,430</u>
Net assets (deficiency) other than goodwill	<u>(502)</u>	<u>(108)</u>	<u>53</u>	<u>(557)</u>
Goodwill on the books of the acquired companies	65	76	6	147
Goodwill arising on acquisition	<u>858</u>	<u>985</u>	<u>282</u>	<u>2,125</u>
Total goodwill	<u>923</u>	<u>1,061</u>	<u>288</u>	<u>2,272</u>
Consideration paid in cash	<u>\$421</u>	<u>\$ 953</u>	<u>\$341</u>	<u>\$1,715</u>

(b) The cost of depreciable property is being written off as follows:

Buildings, towers and transmission facilities	-10% straight line
Community programming equipment	-20% straight line
Communications equipment	-15% straight line
Other equipment	-10% straight line
Vehicles	-30% declining balance

6. GOODWILL

Goodwill represents the excess of the cost of acquiring predecessor business over the value assigned to net tangible assets acquired. In addition to the goodwill purchased during the year (note 2), goodwill of \$72,000 arising on an acquisition in a prior year was reclassified during 1972 as depreciable property to correspond to an increase in the value of depreciable property for income tax purposes arising upon a reassessment of the vendor by the taxation authorities. It is the Company's policy to carry goodwill at cost until its value is impaired.

7. BANK LOAN

The bank loan, bearing interest at the prime rate plus one and one-half percent per annum, is evidenced by demand notes but arrangements have been made with the Company's bankers for refinancing beyond 1973.

8. MORTGAGES PAYABLE

	<u>Total</u>	<u>Current</u> (included with accounts payable)	<u>Long-term</u>
8% mortgage due January 2, 1983	\$200,000	\$13,000	\$187,000
8½% mortgage due May 3, 1977	<u>19,000</u>	<u>4,000</u>	<u>15,000</u>
	<u>\$219,000</u>	<u>\$17,000</u>	<u>\$202,000</u>

9. RETIREMENT OF DEBENTURES AND PREFERENCE SHARES

Provisions of the trust indenture pursuant to which the Sinking Fund Debentures were issued and provisions attaching to the First Preference Shares require principal amounts thereof to be retired annually through sinking fund, redemption or purchase for cancellation to 1980 as follows:

Sinking Fund Debentures	- \$750,000 annually to 1979 and \$1,150,000 in 1980
First Preference Shares	- \$460,000 (23,000 shares)

These requirements have been complied with to date.

10. MINORITY INTEREST

The minority interest in subsidiary companies comprises the following:

	<u>1972</u>	<u>1971</u>
Advances	\$ 97,000	\$ 97,000
Common shares and retained earnings	<u>250,000</u>	<u>190,000</u>
	<u>\$347,000</u>	<u>\$287,000</u>

11. CAPITAL STOCK

At December 31, 1972 the Company's capital stock, after the redemptions thereof described in note 8, is as follows:

Authorized -

681,000 Cumulative redeemable first preference shares with a par value of \$20 each, issuable in series

3,000,000 Common shares without par value

Issued -

161,000 7% Cumulative redeemable first preference shares, series A

1,842,500 Common shares

<u>1972</u>	<u>1971</u>
\$3,220,000	\$3,680,000
<u>1,842,500</u>	<u>1,842,500</u>
<u>\$5,062,500</u>	<u>\$5,522,500</u>

12. DIVIDEND RESTRICTIONS

The trust indenture securing the 9% Debentures contains certain covenants related to the payment of dividends on common shares, the effect of which precludes the payment of dividends thereon unless, at the date at which such action is contemplated, consolidated net income for a consecutive period of twelve of the preceding eighteen months was at least as great as the sum of:

(a) twice the maximum dividend requirements on all preference shares outstanding in the fiscal year in which action is taken, and

(b) the maximum which may be required to be paid in the year ending on January 30 in which action is taken to meet mandatory retirement obligations on the preference shares in that year, less any credit for shares previously purchased for cancellation or redeemed in respect of that year.

Additionally, after making a dividend payment, consolidated shareholders' equity may not be less than the then outstanding principal amount of the 9% Debentures.

13. SHARE TRANSFER RESTRICTION

The Company has the right to refuse to register a transfer of any shares in the capital of the Company, to a non-resident, that may in the opinion of the directors adversely affect the status of the Company under the licencing provisions of the Broadcasting Act of Canada.

14. COMMITMENTS

Leases from Bell Canada and other public utility companies, of transmission facilities paid for by the Company, call for payments of \$405,000 per annum over minimum original terms of ten years or less. The Company is committed under a building lease to an annual rental of \$26,000 until 1984.

15. STATUTORY INFORMATION

The aggregate direct remuneration of directors and senior officers (as defined in the Business Corporations Act, Ontario) amounted to \$178,000 in 1972 and \$147,000 in 1971.

AR23

Maclean-Hunter

CABLE
LIMITED



*Report for the six months
ended June 30, 1972*

MACLEAN-HUNTER CABLE TV LIMITED

CONSOLIDATED STATEMENT OF INCOME (not audited)

	Three months ended June 30		Six months ended June 30	
	1972	1971	1972	1971
Revenue	\$2,347,426	\$1,912,012	\$4,597,509	\$3,709,742
Income before the following	1,356,040	972,621	2,646,217	1,885,029
Depreciation	457,570	361,778	898,135	710,725
Interest	204,727	200,220	408,617	409,786
Gain on redemption of debentures	—	(1,263)	—	(1,263)
Minority interest	28,166	17,202	53,355	34,338
Income taxes	336,466	219,988	649,640	409,003
	1,026,929	797,925	2,009,747	1,562,589
Consolidated net income	329,111	174,696	636,470	322,440
Preferred dividend	58,197	64,401	120,913	129,909
Consolidated net income for common shareholders	\$ 270,914	\$ 110,295	\$ 515,557	\$ 192,531
Income per common share	14.7c	5.9c	28.0c	10.4c
Cash flow				
Total	\$1,085,714	\$ 713,140	\$2,116,043	\$1,353,040
Per common share	58.9c	38.7c	\$1.148	73.4c

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Source of Funds:	Six months ended June 30	
	1972	1971
Operations:		
Consolidated net income for the period	\$ 636,000	\$ 322,000
Depreciation	898,000	711,000
Deferred income taxes	528,000	287,000
Gain on redemption of debenture	—	(1,000)
Minority interest	53,000	34,000
Total funds from operations (cash flow)	\$2,115,000	\$1,353,000
Bank loan	1,250,000	—
Lease — purchase contracts of recently acquired subsidiary	174,000	—
Decrease in working capital	258,000	120,000
	\$3,797,000	\$1,473,000
Application of Funds:		
Addition to properties	\$1,571,000	\$ 922,000
Amounts paid in excess of book value of net assets of predecessor businesses acquired	1,403,000	—
Redemption of debentures	—	184,000
Redemption of preference shares	457,000	200,000
Dividend declared on preference shares	120,000	129,000
Minority interest dividend and new acquisition	115,000	25,000
Increase in investments	131,000	13,000
	\$3,797,000	\$1,473,000

Dear Shareholder:

As shown in the accompanying unaudited consolidated statement of income, revenue for the second quarter increased by 22.7% to \$2,347,000 from \$1,912,000 for the same period last year.

Second-quarter consolidated net income before preferred dividends increased to \$329,000 from \$175,000 last year. After preferred dividends, this was equal to 14.7c per common share this year, compared with 5.9c last year — a gain of 145%.

For the six-month period, revenue this year was up by 24% to \$4,598,000 from \$3,710,000 last year; consolidated net income before preferred dividends to \$636,000 from \$322,000. Six-month consolidated net income for common shareholders was up by 167% to \$516,000 from \$193,000 a year ago; this was equal to 28c per common share, compared with 10.4c last year.

New subscriber sales, as usual, were somewhat slower in the second quarter, registering a net gain of some 1,500 subscribers. This gave the company a total of 157,500 households connected at the end of June.

At a public hearing in May your company applied to purchase a 25% interest in Q.C.T.V. Limited of Edmonton, which was subsequently denied by the Canadian Radio-Television Commission. In June an application was made to the CRTC for a licence to build and operate a cable television system in the city of Kingston, Ontario. To date no decision has been announced.

On May 12 your company purchased, through its wholly owned subsidiary AirTel Limited, a small company licensed for two-way mobile radio services in the areas of Hamilton, Guelph, Brantford and Woodstock. This acquisition provides additional radio frequencies which are being integrated with those of AirTel.

On June 28 AirTel Limited merged with Quest Communications Limited of St. Catharines, a company similar to AirTel operating in Hamilton and the Niagara Peninsula in the telephone answering, mobile radio and personal paging business. The integration of these two companies provides opportunities for increased sales and operating efficiencies through the Toronto, Hamilton and Niagara Peninsula areas.

Following this merger, AirTel Limited is changing its name to Maclean-Hunter Communications Ltd., which now is owned 80% by Maclean-Hunter Cable TV Limited and 20% by William McQuestion, the former owner of Quest. Mr. McQuestion is the Executive Vice-President of the new communications company.

On July 1, Maclean-Hunter Communications Ltd. took over the operations of Telephone Answering Service in the cities of London, Guelph and Woodstock, and these are being integrated with our other operations in each of these areas.

Phasecom Corporation of Los Angeles, of which your company owns 50% through Peterborough Cable Television Limited, has had a difficult six months, with shipments running behind budget due to component delivery problems. Sales are running ahead of projections, showing an orders backlog of over \$100,000. Two new products were introduced in May at the National Cable Television Association Trade Show in Chicago, and Phasecom looks forward to a strong second half.

Your company is continuing to follow closely developments in the pay-TV, extra services and related fields. In June an experimental program called "NEWS CABLE" was introduced on our Toronto system. It is expected that this local news, weather, sports and financial information service will be expanded to the point where it will be a continuous, significant service to our subscribers. Community programming continues to provide a

worthwhile service in our various systems and subscriber reaction is generally most favorable.

The outlook for the second half remains bright. Results of the last six months of 1972 should be at least as good as those of the first six.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "J. McQuestion", written over a horizontal line.

Chairman

A handwritten signature in dark ink, appearing to read "D. Mitchell", written over a horizontal line.

President

MACLEAN-HUNTER CABLE TV LIMITED

Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders of MACLEAN-HUNTER CABLE TV LIMITED (the "Corporation") will be held at the 10th Floor Meeting Room, 481 University Avenue, Toronto, Ontario, on Wednesday, May 23, 1973, at the hour of 11:00 o'clock in the forenoon (Toronto time) for the following purposes:

1. To receive and consider the consolidated financial statements of the Corporation and its subsidiaries for the year ended December 31, 1972, together with the report of the auditors thereon;
2. To elect directors;
3. To appoint auditors; and
4. To transact such further and other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED the 27th day of April, 1973.

BY ORDER OF THE BOARD,

J. B. GAGE,
Secretary-Treasurer.

NOTE: Shareholders who are unable to be present personally at the meeting are requested to sign and return, in the envelope provided for that purpose, the accompanying form of proxy for use at the meeting.

MACLEAN-HUNTER CABLE TV LIMITED

Information Circular

MANAGEMENT SOLICITATION

This information circular is furnished in connection with the solicitation of proxies by the management of MACLEAN-HUNTER CABLE TV LIMITED (the "Corporation") for use at the annual meeting of the shareholders of the Corporation to be held on Wednesday, May 23, 1973, at the hour of 11:00 o'clock in the forenoon (Toronto time) at the 10th Floor Meeting Room, 481 University Avenue, Toronto, Ontario, for the purposes set out in the notice of meeting. The cost of solicitation will be borne by the Corporation.

The form of proxy forwarded to shareholders with the notice of meeting confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of meeting or of other matters which may properly come before the meeting. The shares represented by proxies solicited by management will be voted at the meeting.

Management knows of no matters to come before the meeting other than the matters referred to in the notice of meeting. However, if any other matters which are not now known to management should properly come before the meeting, the shares represented by the proxies solicited by management will be voted on such matters in accordance with the best judgment of the proxy nominee.

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

1,842,500 common shares without par value have been issued and are now outstanding. Holders of outstanding common shares of record at the close of business on May 21, 1973, will be entitled to one vote per share at the annual meeting of shareholders.

To the knowledge of the directors and senior officers of the Corporation, Maclean-Hunter Limited beneficially owns, directly or indirectly, equity shares of the Corporation carrying more than 10% of the voting rights attaching to all equity shares of the Corporation. Maclean-Hunter Limited is the beneficial owner, directly or indirectly, of 1,137,250 common shares, being 61.7% of the issued and outstanding equity shares of the Corporation.

ELECTION OF DIRECTORS

Each of the persons whose names appear hereunder is proposed to be elected as a director of the Corporation to serve until the next annual meeting of shareholders or until his successor is elected or appointed. It is intended that the shares represented by proxies solicited by management will be voted in favour of the election of such persons as directors of the Corporation. The Corporation has received the written consent of each such person to act as a director of the Corporation. In the event that any vacancies occur in the slate of such nominees, it is intended that discretionary authority shall be exercised to vote such proxies for the election of any other person or persons nominated by management as directors.

<u>Name and Office Held</u>	<u>Present Principal Occupation</u>	<u>Year First Elected as a Director</u>	<u>Common Shares of the Corporation Beneficially Owned Directly or Indirectly as at March 31, 1973</u>
Donald G. Campbell, Chairman of the Board and Director	President, Maclean-Hunter Limited	1967	13,232
Frederick T. Metcalf, President and Director	President, Maclean-Hunter Cable TV Limited	1967	129,700
Gilbert A. Allard, Director	President, Rediffusion Incorporated	1970	—
Colin M. Brown, Director	Clients Advisory Director, London Life Insurance Company	1972	100
Lorne R. Clark, Director	Vice-President, Finance, Maclean-Hunter Limited	1969	833
Donald F. Hunter, Director	Chairman of the Board, Maclean-Hunter Limited	1967	3,700*
Robert J. Prettie, Director	Chairman of the Board, Northern Tar Chemical & Wood Limited	1971	3,000

***NOTE:**

Mr. Donald F. Hunter and his associates (being Hunco Limited, which beneficially owns 9,600 common shares, and Maclean-Hunter Limited, which beneficially owns 1,137,250 common shares) beneficially own more than 10% of the voting rights attached to all equity shares of the Corporation.

APPOINTMENT OF AUDITORS

Management proposes to nominate Messrs. Clarkson, Gordon & Co., the present auditors, as auditors of the Corporation, to hold office until the next annual meeting of shareholders. It is intended that the shares represented by proxies solicited by management will be voted in favour of the appointment of Messrs. Clarkson, Gordon & Co. as auditors of the Corporation.

REMUNERATION OF MANAGEMENT AND OTHERS

During the financial year ended December 31, 1972 the aggregate direct remuneration paid or payable by the Corporation and its consolidated subsidiaries to the directors and senior officers of the Corporation was \$178,000.

The estimated cost to the Corporation and its subsidiaries in the last completed financial year of the Corporation of all pension benefits proposed to be paid under the pension plan of the Corporation in the event of retirement at normal retirement age to the directors and senior officers of the Corporation is \$3,165.

March 31, 1973.